

Message Text

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44

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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TO SECSTATE WASHDC 0532

INFO USMISSION EC BRUSSELS

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DEPARTMENT PASS AGRICULTURE FOR NOVOTNY

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: EC WHEAT EXPORT SUBSIDIZATION

REF: EC BRUSSELS 04539

1. DISCUSSIONS WITH MOST OF THE MAJOR GERMAN GRAIN TRADERS INDICATED THAT AN OFFER OF \$139.50 CIF PHILIPPINES FOR FRENCH WHEAT WAS PROBABLY MADE ON ONE OF THE FOLLOWING ASSUMPTIONS: (A) SPECULATION THAT THE INCREASE GRANTED TO ZONE 7-A (INDIA, BANGLADESH, ETC.) WOULD BE FORTHCOMING FOR ZONE 7-B WHICH INCLUDES THE PHILIPPINES; (B) AN UNUSUAL FREIGHT ARRANGEMENT THAT WOULD CALCULATE TO LESS THAN \$10 PER TON; (C) AN EFFORT TO COMPLETE AN EXPORT LICENSE.

2. ONE TRADER ESTIMATED FRENCH WHEAT AT THAT TIME COULD HAVE BEEN OFFERED AT ABOUT \$130 FOB FRENCH PORTS AFTER ALLOWING FOR 34 U/A (\$47.60) RESTITUTION FOR ZONE 7-B AND 2 U/A (\$2.80) RESTITUTION TO MOVE VIA CAPE OF GOOD HOPE. THIS WOULD WORK BACK TO A PRICE OF \$180.40 FOR THE WHEAT AT PORT WITHOUT A DECLARED DESTINATION.

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FREIGHT COSTS, HOWEVER, ARE ESTIMATED AT \$14-15 WHICH

WOULD STILL EXCEED THE OFFER PRICE OF \$139.50.

3. INTERESTINGLY, TWO FIRMS WERE SENSITIVE ABOUT THE
PRICING QUESTION, FULLY AWARE OF U.S. PROTESTS TO
BRUSSELS AND ASSURED US THAT THEY WERE NOT A PARTY TO
THE OFFER.
HILLENBRAND

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Message Attributes

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Margaret P. Grafeld
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